

Message Text

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ACTION AID-59

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PRS-01 PA-02 USIA-12 EB-05 SS-20 CIAE-00 SIL-01 IGA-02

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 2616

INFO AMEMBASSY BANGKOK

AMEMBASSY VIENTIANE

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USADB

AIDAC

PASS KEN RABIN

BANGKOK FOR RED

E.O. 11652: NA

TAGS: EAID, EFIN, LA

SUBJ: NAM NGUM PHASE II

REF: STATE 067993

USADB RAISED APPROPRIATE POINTS REFTEL WITH BANK STAFF,
BANK REPLIED THAT (A) CURRENT \$150,000 RPT \$150,000
SHORTFALL RESULTS PRIMARILY FROM DEPRECIATION OF CERTAIN
CONTRIBUTIONS IN TERMS OF DOLLAR EQUIVALENCY E.G.
JAPANESE YEN. BANK HAS APPROACHED U.S., JAPAN AND
AUSTRALIA TO DETERMINE IF THESE COUNTRIES WILLING TO
MEET SHORTFALL. PROSPECT OF POSITIVE RESPONSE CONSIDERED
POOR. IF SHORTFALL NOT MET BY INCREASED PLEDGES FROM
DONOR COUNTRIES, BANK OBLIGATED TO PROVIDE FUNDS IN
QUESTION. (B) BANK CURRENTLY CONSULTING WITH CANADIAN
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GOVT REGARDING USE OF THEIR \$2.5 MILLION TIED CONTRIBUTION.

MATTER UNRESOLVED AT MOMENT BUT SOME INDICATION CANADIANS MAY BE WILLING TO FINANCE CONSULTANCY SERVICES EVEN THOUGH AWARD DID NOT GO TO CANADIAN FIRM. (C) BANK INFORMS USADB THAT QUESTION OF NEW ENERGY SALES AGREEMENT RAISED WITH EGAT, WHICH LIKE EDL, EXPRESSED NO INTEREST IN INITIATING DISCUSSIONS OR NEGOTIATIONS AT THIS TIME. EGAT EXPRESSED SOME INTEREST IN EXPLORING POSSIBILITIES OF NEGOTIATING ENERGY PRICE FORMULA BUT BANK FELT EGAT WOULD ONLY AGREE TO FORMULA SO GENERAL AS TO BE VIRTUALLY USELESS. (D) BANK WOULD HOPE, AND WILL PUSH FOR, INITIATION OF NEGOTIATIONS ON ENERGY SALES AGREEMENT PRIOR TO PHASE II COMING ONSTREAM IN 1978. BANK POINTS OUT THAT SEC 9.01 OF FUND AGREEMENT EXTENDS TO BANK RIGHT TO APPROVE ENERGY SALES AGREEMENT. BANK INTENDS TO EXERCISE THAT RIGHT AND MAKES FURTHER POINT THAT NEGOTIATIONS THEMSELVES MUST OBVIOUSLY BE CONDUCTED DIRECTLY BETWEEN EGAT AND EDL, ALTHOUGH BANK WOULD GIVE NECESSARY SUPPORT AND PERSUASION FOR EARLY NEGOTIATIONS AND SUCCESSFUL RESOLUTION OF THOSE NEGOTIATIONS. (E) REGARDING BANK LETTER SETTING OUT ILLUSTRATIVE PROCESS, BANK SUBMITTED TO USADB FOLLOWING. NOTE ESPECIALLY PARA 2 OF LETTER WHICH INDICATES BANK'S MONITORING RESPONSIBILITIES WITH REGARD TO PROCUREMENT ARRANGEMENTS WHICH BANK FULLY INTENDS TO EXERCISE. QUOTE ASSISTANT ADMINISTRATOR
BUREAU FOR SUPPORTING ASSISTANCE
AGENCY FOR INTERNATIONAL DEVELOPMENT
DEPARTMENT OF STATE
WASHINGTON, D.C. 20523

DEAR SIR:

LAOS: NAM NGUM HYDROPOWER PROJECT
PROCUREMENT OF GOODS AND SERVICES FROM THE UNITED STATES

1. WE WISH TO CONFIRM WITH YOU ARRANGEMENTS FOR PROCUREMENT OF GOODS AND SERVICES FOR THE PROJECT, EXCLUDING CONSULTING AND ADVISORY SERVICES, TO BE PRODUCED IN, OR SUPPLIED FROM, THE UNITED STATES.

2. PROCUREMENT WILL BE EFFECTED IN ACCORDANCE WITH ARRANGEMENTS AND PROCEDURES SATISFACTORY TO THE ADMINISTRATOR (FUND AGREEMENT SEC 7.01(B)). HAVING REGARD TO UNCLASSIFIED

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THE CONDITIONS TO WHICH CONTRIBUTIONS TO THE FUND ARE SUBJECT, ELECTRICITE DU LAOS (EDL), WITH THE ADVICE OF THE CONSULTING ENGINEERS, WILL PREPARE AND SUBMIT TO THE ADMINISTRATOR FOR APPROVAL PROPOSALS REGARDING THE PROCUREMENT OF GOODS. SUCH PROPOSALS SHALL INCLUDE DETAILED PROPOSALS AS TO THE BID PACKAGES, THE NUMBER AND SCOPE OF INDIVIDUAL CONTRACTS AND THE ELIGIBLE SOURCES FOR PROCUREMENT OF EACH CONTRACT (PROJECT AGREEMENT SEC 2.05 AND

SCHEDULE 3). ANY ONE OF SEVERAL ALTERNATIVE ARRANGEMENTS FOR PROCUREMENT COULD BE ADOPTED. FOR EXAMPLE, PROCUREMENT COULD BE DONE (I) BY ALLOCATION OF SPECIFIC CONTRACTS OR BID PACKAGES TO BE FINANCED OUT OF SPECIFIC CONTRIBUTIONS, PARTICULARLY TIED CONTRIBUTIONS; (II) BY REQUIRING IN TENDER DOCUMENTS FOR SUBSTANTIAL CONTRACTS THAT THE SUCCESSFUL CONTRACTOR BUY IN GOODS UTILIZING TIED CONTRIBUTIONS; (III) BY SIMULTANEOUS BIDDING AND AWARDED OF CONTRACTS SO THAT CONTRACTS ARE AWARDED ON THE BASIS OF THE LOWEST BIDS CONSISTENT WITH MAXIMUM UTILIZATION OF ALL CONTRIBUTIONS, INCLUDING TIED CONTRIBUTIONS; OR (IV) BY ANY COMBINATION OF (I), (II), AND (III). TO THE EXTENT PRACTICABLE, THERE WILL BE INTERNATIONAL COMPETITIVE BIDDING IN ACCORDANCE WITH THE BANK'S "GUIDELINES ON PROCUREMENT" (PROJECT AGREEMENT SCHEDULE 3, PARA 1).

3. THE ABOVE MENTIONED PROCEDURES WILL BE APPLIED IN PROCUREMENT OF GOODS AND SERVICES FROM THE UNITED STATES, OF THE EQUIVALENT IN VALUE OF THE PART OF THE UNITED STATES CONTRIBUTION AVAILABLE FOR FINANCING FOREIGN EXCHANGE COSTS. AS AN EXAMPLE OF HOW THIS MAY BE DONE, THE SUPPLY AND INSTALLATION OF GENERATORS, TURBINES, GATES AND PENSTOCKS AND THE CIVIL WORKS RELATING TO THE POWER STATION COULD BE COMBINED IN ONE CONTRACT, WITH THE CONTRACT SUBJECT TO THE CONDITION THAT THE SUCCESSFUL CONTRACTOR, IRRESPECTIVE OF HIS NATIONALITY, WILL BUY IN ELIGIBLE UNITED STATES GOODS AND SERVICES TO THE MINIMUM OF THE VALUE OF THE PART OF THE UNITED STATES CONTRIBUTION AVAILABLE FOR FOREIGN EXCHANGE COSTS. AS AN ANOTHER ALTERNATIVE, SEPARATE CONTRACTS FOR (I) GENERATORS, (II) TURBINES, (III) GATES AND PENSTOCKS AND (IV) THE CIVIL WORKS RELATING TO THE POWER STATION COULD EACH BE SUBJECT TO A CONDITION THAT THE RESPECTIVE SUCCESSFUL CONTRACTORS,

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IRRESPECTIVE OF THEIR NATIONALITIES, INCLUDE ELIGIBLE UNITED STATES GOODS AND SERVICES OF THE AGGREGATE VALUE OF THE PART OF THE UNITED STATES CONTRIBUTION AVAILABLE FOR FOREIGN EXCHANGE COSTS. END QUOTE.

(F) FINALLY, BANK INFORMED USADB OF THOROUGH DISCUSSIONS WITH AID WASHINGTON DURING FEB CONSULTATIONS REGARDING U.S. POSITION THAT NO INTEREST TO BE EARNED ON ITS CONTRIBUTION TO FUND. BANK INDICATED THAT DURING THOSE DISCUSSIONS, THREE MEANS OF U.S. PAYMENT CONSIDERED. (1) LETTER OF COMMITMENT TO BE DRAWN UPON AS CONTRACTS AWARDED TO U.S. SUPPLIERS; (2) BI-MONTHLY DRAWDOWN SCHEDULE TO MAXIMIZE MATCHING OF DRAWDOWN AMOUNTS WITH ANTICIPATED CONTRACT AWARDS; AND (3) CASH CONTRIBUTIONS IN WHICH INTEREST EARNED WILL BE REMITTED TO USG. UNDERSTAND MAY CHOOSE OPTION MOST DESIRABLE

FROM ITS VIEWPOINT.
SULLIVAN

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